

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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APPROVED BY EB/OF/FPD:MPBOERNER

EUR/RPE:ECASEY

EB/TA - WGBARRACLOUGH

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R 201456Z MAY 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EAGR, EC

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SUBJECT: RECENT EEC ACTION TO SUBSIDIZE WHEAT EXPORTS

1. RECENT EC COMMISSION ACTION REPORTED BY REUTERS, AND WALL STREET JOURNAL AND TRADE SOURCES, TO MAKE HIGHER RESTITUTION PAYMENTS FOR WHEAT EXPORTS AND TO PAY INCREASED FORWARD PREMIUMS RAISES PROSPECT OF SUBSIDIZED WHEAT EXPORTS TO THIRD COUNTRIES AT THE EXPENSE OF US EXPORTERS. WE ARE CONCERNED ABOUT EEC'S REPORTED ACTION BECAUSE IT MAY MARK A RETURN TO GENERAL SUBSIDIZATION OF WHEAT EXPORTS, A PRACTICE WHICH LARGELY DISAPPEARED DURING LAST TWO YEARS. WE BELIEVE EEC'S ACTION PARTICULARLY INAPPROPRIATE IN VIEW OF NEGOTIATIONS ON EXPORT SUBSIDIES NOW BEGINNING AT THE MTN IN GENEVA. FINALLY, EEC'S GRANTING OF REPORTED SUBSIDIES MAY INCREASE PRESSURE FROM DOMESTIC SUPPLIERS ON USG TO GRANT EQUIVALENT SUBSIDIES OR AID TO US EXPORTERS.

2. REGARDLESS OF WHETHER OR NOT EEC FEELS LEGITIMATE CLAIM TO CERTAIN FOREIGN MARKETS AS MEANS OF DISPOSING OF THIS WHEAT, QUESTION EMERGES CONCERNING TIMING. WE UNDERSTAND WHEAT CROP PROSPECT IN COMMUNITY FOR 1975 IS SOMEWHAT UNFAVORABLE. HAVING WAITED THIS LONG BEFORE

DISPOSING OF ITS LARGE HOLDING, EEC SHOULD CONSIDER WHETHER IT MIGHT BE BETTER TO WAIT FURTHER UNTIL 1975/76 SEASON BEGINS. HURRIED EFFORTS TO DISPOSE OF EEC WHEAT STOCK MAY HAVE AND PERHAPS ALREADY HAVE HAD SERIOUS DEPRESSING EFFECT ON WORLD WHEAT PRICES.

3. AN ILLUSTRATION OF DAMAGE WHICH REPORTED EEC ACTION COULD HAVE ON US EXPORTS AFFORDED BY NORTH AFRICA. RESTITUTION PAYMENTS OF NEARLY DOLS. 58 INCLUSIV OF FORWARD CORRECTIVE PER TON ANNOUNCED ON MAY 6 MAKE IT POSSIBLE FOR EUROPEAN WHEAT TO UNDERSSELL AMERICAN BY DOLS. 15 TO DOLS. 20 PER TON IN THIS IMPORTANT MARKET. NORMAL PRICE FACTOR ALLOWED FOR QUALITY PREMIUM FOR U.S. SOFT RED WINTER IS NOT SO LARGE; LEVEL SET BY EEC ITSELF IS DOLS. 3.75 PER TON.

4. IF ABOVE INFORMATION IS CORRECT, REQUEST MISSION CONTACT EC AND EXPRESS OUR DEEP CONCERN ABOUT IMMEDIATE LIMITED OFFICIAL USE

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EFFECTS OF INCREASES EC SUBSIDY AND ITS LONGER-TERM IMPLICATIONS. WOULD ALSO APPRECIATE REPORT FROM MISSION ON ANY FURTHER DETAILS OF NEW EC SUBSIDY. INGERSOLL

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Disposition Authority: ElyME
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Margaret P. Grafeld
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05 JUL 2006

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To: EC BRUSSELS
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